

आयकर अपीलीय अधिकरण, हैदराबाद पीठ
IN THE INCOME TAX APPELLATE TRIBUNAL
Hyderabad ' DB-A ' Bench, Hyderabad

श्री रविश सूद, न्यायिक सदस्य एवं श्री मधुसूदन सावडिया लेखा सदस्य समक्ष।
Before Shri Ravish Sood, Judicial Member
A N D
Shri Madhusudan Sawdia, Accountant Member

आ.अपी.सं / **ITA No.500/Hyd/2022**
(निर्धारण वर्ष/Assessment Year: 2018-19)

M/s KNR Constructions Ltd Hyderabad PAN:AAACK8316L (Appellant)	Vs.	ACIT Central Circle 2(2) Hyderabad (Respondent)
निर्धारिती द्वारा/Assessee by:	Shri A.V.Raghuram, Advocate	
राजस्व द्वारा/Revenue by:	Smt. U Mini Chandran, CIT(DR)	
सुनवाई की तारीख/Date of hearing:	29/10/2025	
घोषणा की तारीख/Pronouncement:	19/11/2025	

आदेश/ORDER

Per Madhusudan Sawdia, A.M.:

This appeal is filed by KNR Constructions Ltd (“the assessee”), feeling aggrieved by the order passed by the Learned Assessing Officer (“Ld. AO”) under section 143(3) r.w.s. 144C(13) of the Income Tax Act, 1961 (“the Act”) dated 29.07.2022 for the A.Y. 2018-19.

2. The assessee has raised the following grounds of appeal:

1. The learned AO , TPO and the Dispute Resolution Panel have erred in law and in the facts and circumstances of the case in adopting the average of two irrigation projects as comparable for determining the ALP of Yedula Irrigation project carried out by the assessee , and on that basis making a TP adjustment of Rs 36,77,04,171/- to the total income, in as much as the Yedula Project has been carried out by the assessee on its own whereas the two irrigation projects are given on sub contract and hence yielding a lower profit percentage of 4.96% as against the profit percentage of 17.34% of the Yedula project.

2. The learned DRP ought to have noted that on the facts that since the two irrigation projects carried out by the assessee are not comparable, the internal CUP is not appropriate and hence should have adopted External CUP, and for this purpose afforded sufficient opportunity to the assessee.

3. The learned DRP ought to have noted that the Yedula project is awarded to the assessee by Government of Telangana on competitive tender basis, the assessee is one among many bidders who have been awarded similar work in the same irrigation project on comparable rates, that the profit percentage earned by the assessee in the Yedula project is comparable to the industry average on similar contracts and hence is ALP under External CUP method.

3. The brief facts of the case are that the assessee is a company engaged in the business of infrastructure projects. The assessee had claimed deduction under section 80-IA of the Income Tax Act, 1961 (“the Act”) in respect of some of its projects. The assessee filed its return of income for the Assessment Year 2018–19 on 29.11.2018 declaring total income of Rs.57,99,54,680/-. The case of the assessee was selected for scrutiny, and

accordingly, notice under section 143(2) of the Act was issued by the Ld. AO on 22.09.2019. During the year, the assessee had entered into specified domestic transactions with its Associated Enterprises (“AEs”), and therefore, the matter was referred to the Learned Transfer Pricing Officer (“Ld. TPO”) for determination of the Arm’s Length Price (“ALP”).

3.1 The Ld. TPO, vide order passed under section 92CA(3) of the Act dated 31.07.2021, proposed an upward adjustment of Rs.121,50,70,645/-. Based on the said order, the Ld. AO passed a draft assessment order under section 144C of the Act on 08.09.2021. Against the draft order of Ld. AO, the assessee filed objections before the Learned Dispute Resolution Panel (“Ld. DRP”). The Ld. DRP, vide directions under section 144C(5) of the Act dated 29.06.2022, issued certain modifications. The Ld. DRP also passed a corrigendum on 26.07.2022. In pursuance of the direction of the Ld. DRP, the Ld. TPO passed a consequential order on 26.07.2022 determining an upward adjustment of Rs.36,77,04,171/-. Subsequently, the Ld. AO passed the final assessment order under section 143(3) read with section 144C(13) of the Act on 29.07.2022, making an addition of Rs.36,77,04,171/-, thereby determining the total assessed income of the assessee at Rs.94,76,61,851/-.

4. Aggrieved with the order of the Ld. AO, the assessee is in appeal before this Tribunal. At the outset, the Learned Authorized Representative (“Ld. AR”) submitted that the solitary issue involved in the present appeal pertains to the Transfer Pricing adjustment of Rs.36,77,04,171/- made on account of specified domestic transactions relating to the assessee’s infrastructure projects. It was submitted that during the year, the

assessee had undertaken 23 projects eligible for deduction under section 80-IA of the Act and 15 projects not eligible for deduction under section 80-IA of the Act. The 23 projects eligible for deduction under section 80-IA of the Act were broadly classified as Highway projects (19 in number) and Irrigation projects (4 in number). Out of these 19 highway projects, 17 were through non-AEs and 2 were through AEs, while out of these 4 irrigation projects, 2 were through AEs and 2 were through non-AEs. The Ld. AR invited our attention to para no. 5 of the consequential order of the Ld. TPO dated 26.07.2022 and submitted that the Ld. TPO, in accordance with the directions of the Ld. DRP, computed separate Profit Level Indicators (“PLIs”) for highway and irrigation projects, taking non-AE transactions as the internal comparables. He further demonstrated that, the Ld. TPO computed the PLI of highway projects through non-AEs at 15.34%, and that of irrigation projects through non-AEs at 4.96%. It was further submitted that since the PLI of the assessee’s all AE highway projects and one AE irrigation project were lower than the PLI of comparable non-AE projects, no adjustment was made by the Ld. TPO in respect of those projects. However, for one irrigation project through AE (“the Yedula Project”), the Ld. TPO observed the assessee’s PLI was at 17.34%, and compared the same with 4.96% being the PLI of irrigation projects through non-AEs, resulting in the impugned adjustment of Rs.36,77,04,171/-. In this regard, the Ld. AR submitted that this comparison is fundamentally flawed since the Yedula irrigation project was an independent contract undertaken by the assessee, whereas the irrigation projects undertaken through non-AEs were sub-contract projects, executed under entirely different contractual obligations

and risk profiles (on back-to-back basis). The Ld. AR placed reliance on the copies of contracts for all such projects, placed before us and contended that the nature, scope, and risk allocations are materially different. Accordingly, the Ld. AR pleaded that the internal comparables adopted by the Ld. TPO are not appropriate, and that an external CUP or alternative benchmarking should be adopted for the Yedula Project.

5. Per contra, the Learned Departmental Representative ("Ld. DR") relied on the orders of the Ld. AO/TPO and submitted that the assessee itself, in its TP study, had taken these irrigation projects with non-AEs as comparables. Hence, it cannot now retract from its own benchmarking analysis. The Ld. DR contended that the Ld. DRP/TPO have correctly adopted the internal comparables for computing ALP.

6. In rejoinder, the Ld. AR clarified that the TP study originally undertaken by the assessee had adopted an aggregate PLI, which was later rejected by the Ld. DRP, who proceeded on a project-specific approach. Hence, once the method of comparability itself was altered by the Ld. DRP, the question of estoppel on the assessee does not arise. Therefore, it was contended that the comparability of the Yedula Project with irrigation sub-contract projects requires factual verification. Accordingly, the Ld. AR prayed before the Bench for remand of the issue to the file of the Ld. AO/TPO to adopt an external CUP or alternative benchmarking for the Yedula Project.

7. We have heard the rival submissions and perused the material placed on record. The core dispute before us is pertains to the correctness of the internal comparables adopted by the Ld.

TPO for benchmarking the Yedula irrigation project. In this regard, we have gone through the weighted average of PLI calculated by the Ld. TPO for highway projects and irrigation projects through non-AE, which has been placed at para no.5 of the consequential order of the Ld. TPO dated 26.07.2022, which is to the following effect:

5. As seen from the uncontrolled transactions / projects coming under the "category 4" i.e "Non-AE transactions with 80IA" the weighted average profit margin of Infrastructure projects and Highway projects is worked out as under :

(a) Highway projects :

Sr.No.	Name of the client	Type of project	Turnover	Profit before tax	% of profit on turnover
1	Madhurai (NHAI)	Highway project	35848.07	6094.17	17.00
2	ROB 3 Gadag (KSHIP)	Highway	99.74	-298.19	-298.97

	under Govt of Karnataka)	project			
3	AEP-8 (KSHIP - under Govt of Karnataka)	Highway project	7.33	31.98	436.29
4	AEP-7 (KSHIP - under Govt of Karnataka)	Highway project	770.1	538.9	69.98
5	AEP-1 (KSHIP - under Govt of Karnataka)	Highway project	399.41	-187.88	-47.04
6	Tungabhadra (PWD Govt of Karnataka)	Highway project	9	-22.88	-254.22
7	Penchalakona (R&B Govt of AP)	Highway project	3.74	-29.88	-798.93
8	ROB - 1 Devangiri (KSHIP Under Govt of Karnataka)	Highway project	1395.91	41.88	3.00
9	ROB - 4 BADAMI (KSHIP Under Govt of Karnataka)	Highway project	271.43	35.92	13.23
10	Coimbatore (Govt of Tamilnadu)		1864.58	-155.17	-8.32
11	Thiruvanthapuram (NHAI)	Highway project	19654.3	7078.1	36.01
12	MPRDCL - L (M P Road Development Corporation Ltd, a wholly owned company)	Highway project	12849.65	687.27	5.35



	of Govt of MP)				
13	Polachi - NHAI	Highway project	17592.38	3296.69	18.74
14	EPC 01 - Kanchipuram (Thr Project Director, Tamilnadu Road Sector Project II, under Govt of Tamilnadu)	Highway project	8245.44	264.06	3.20
15	EPC 02 - Villupuram (Thr Project Director, Tamilnadu Road Sector Project II, under Govt of Tamilnadu)	Highway project	10040.82	321.04	3.20
16	EPC 06 - Rasipuram (Thr Project Director, Tamilnadu Road Sector Project II, under Govt of Tamilnadu)	Highway project	8287.9	331.52	4.00
17	Salem (S E Construction & Maintenance Highways, Salem, under Govt of Tamilnadu)	Highway project	6314.44	947.17	15.00
	WEIGHTED AVERAGE		123654.2	18974.7	15.34

(b) Irrigation projects :

Sr.No.	Name of the client	Type of project	Turnover	Profit before	% of profit on
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				tax	turnover
1	Medak DLRB - High Level (Irrigation & CADD under Govt of Telangana)	Irrigation project	367.51	15.59	4.24
2	Medak DLRB - Low Level (Irrigation & CADD under Govt of Telangana)	Irrigation project	905.9	47.59	5.25
	WEIGHTED AVERAGE		1273.41	63.18	4.96

8. We have also gone through the benchmarking undertaken by the Ld. TPO with regard to the AE projects, which has been placed at para no.6 of the consequential order of the Ld. TPO dated 26.07.2022, which is to the following effect:

6. As per Form 3CEB / TP document, the four specified domestic transactions / projects (whose profits claimed as deduction u/s.80IA) which are being benchmarked are as under :

Sr.No.	Name of the project	Type of project	Turnover	PBT	% of profit on turnover	Weighted average profit margin of comparables as mentioned in para-5
1	Yedula Project (KNR-SEW-GVR-JV)	Irrigation project	29708.03	5150.56	17.34%	4.96%
2	Narlapur Project (PSK-KNR-GVR-JV)	Irrigation project	1999.60	77.52	3.88%	4.96%

3	Hubli Project (BSCPL- KNRCL-JV)	Highway project	11840.77	261.10	2.21%	15.34%
4	Pasighat Project (KNR-JKM- JV)	Highway project	2919.57	-545.38	-18.68%	15.34%

9. On perusal of the above, we observe that the Ld. TPO computed separate PLIs for highway and irrigation projects, taking non-AE projects as the internal comparables for the purpose of benchmarking the AE projects. We found that the Ld. TPO computed the PLI of highway projects through non-AEs at 15.34% and that of irrigation projects through non-AEs at 4.96%. We also observe that since the PLI of the assessee's all AE highway projects and one AE irrigation project was lower than the PLI of non-AE projects, no adjustment was made by the Ld. TPO in respect of those projects. However, for the Yedula Project, the Ld. TPO observed the assessee's PLI was at 17.34% and the PLI of irrigation projects through non-AEs was at 4.96%, he made an addition of Rs.36,77,04,171/- on account of Yedula Project. In this regard, the Ld. AR submitted that the comparison made by the Ld. TPO is fundamentally flawed since the Yedula irrigation project was an independent contract (not on back to back basis) undertaken by the assessee, whereas the irrigation projects undertaken through non-AEs were sub-contract projects, executed under entirely different contractual obligations and risk profiles. The Ld. AR placed reliance on the copies of contracts for

all such projects, placed before us and contended that the nature, scope, and risk allocations are materially different and therefore, they are not functionally comparable. Accordingly, the Ld. AR pleaded that the internal comparables adopted by the Ld. TPO are not appropriate, and that an external CUP or alternative benchmarking should be adopted for the Yedula Project. In this regard, we have carefully perused the copies of agreements relied on by the assessee. The projects relevant for our consideration are the irrigation projects undertaken by the assessee through non-AEs, namely “Medak DLRB-High Level” and “Medak DLRB-Low Level”, and the irrigation project undertaken, namely the Yedula Project contended to be undertaken by the assessee. There is no dispute that all the said three projects were awarded to the assessee by Government authorities and all of them pertain to irrigation projects. With respect to the Medak DLRB-High Level Project, which has been undertaken through non-AE, the assessee has placed on record copies of sub-letting work orders issued to Mr. Junoothula Abhishek and Yuvashakthi Enterprises. The copy of first page of both the work orders is reproduced as under:



KNR Constructions Limited

Ref: KNRCL/HO/DLRB/WO/2014/1078

Dated: 04.04.2014

To
 Mr Junoothula Abhishek (PAN: AEVPJ0446A)
 Flat No. 202, Vamsiram Jyothi Dwelling,
 Plot. 58, Hyd Enclave,
 Jubilee Hills, Hyderabad – 500 033
 Cell No. +91-95025 03355

Sub: Construction of DLRB (High Level Causeway) across Manjeera River at
 Tukkapur (V), Kulcharam (M), Medak District – **Subletting the work –
 Work Order – Issued Reg.**

Ref: 1. L.S. A.B. No. 62/2013-14, Dt. 24.10.2013 of SE, I & CADD, Irrigation
 Circle, Sangareddy.
 2. Your letter dated 02.04.2014

Dear Sir,

With reference to your letter 2nd cited above, it is informed that the subject work entrusted to us by the SE, I & CADD, Irrigation Circle, Sangareddy (Employer) in Agt. 1st cited above is let out to you on sub-contract basis. The work is to be executed by you on back to basis & as per the terms and conditions detailed below:

1. All the terms & conditions stipulated in the above Agreement are applicable to you, as the work is entrusted to you on back to back basis. A copy of the agreement is herewith enclosed.
2. You have to arrange all plants, equipment including establishing laboratory for carrying out the required tests, manpower, working capital funds and all other resources required for execution and completion of the work within the stipulated completion period at your own cost and risk.
3. The Work is to be carried out in accordance with the provisions ~~of the~~ condition of contract between Employer & KNR Constructions Limited up to the end of defect liability period, in terms of the agreement entered into by us with the employer vide reference 1st cited above.
4. You have to engage competent technical personnel for carrying out execution of the work with our approval and at your cost.
5. 2% (Per cent two only) of Gross value of work executed including variations, escalations etc. is to be paid to us as markup and the same will be recovered from your bills.

Abhishek A. J.

Page 1 of 3

KNR House, 3rd & 4th Floor, Plot No. 114, Phase-I, Kavuri Hills, Hyderabad - 500 033
 Phone : 040-40268759, 40268761/62, Fax : 040-40268760, E-mail : info@kncl.com, Web : knrcl.com



KNR Constructions Limited

Dated: 03.01.2015

To
M/s. Yuvashakthi Enterprises,
#2-7-748, Central Excise Colony,
Hanamkonda, Warangal – 506 001

Kind. Attn.: Sri J. Raji Reddy, Managing Partner

Sub: Construction of DLRB (High Level Causeway) across Manjeera River at Tukkapur (V), Kulcharam (M), Medak District(Balance work) – **Subletting the work – Work Order – Issued Reg.**

Ref: 1. L.S. A.B. No. 62/2013-14, Dt. 24.10.2013 of SE, I & CADD, Irrigation Circle, Sangareddy.
2. Your letter dated 02.01.2015

Dear Sir,

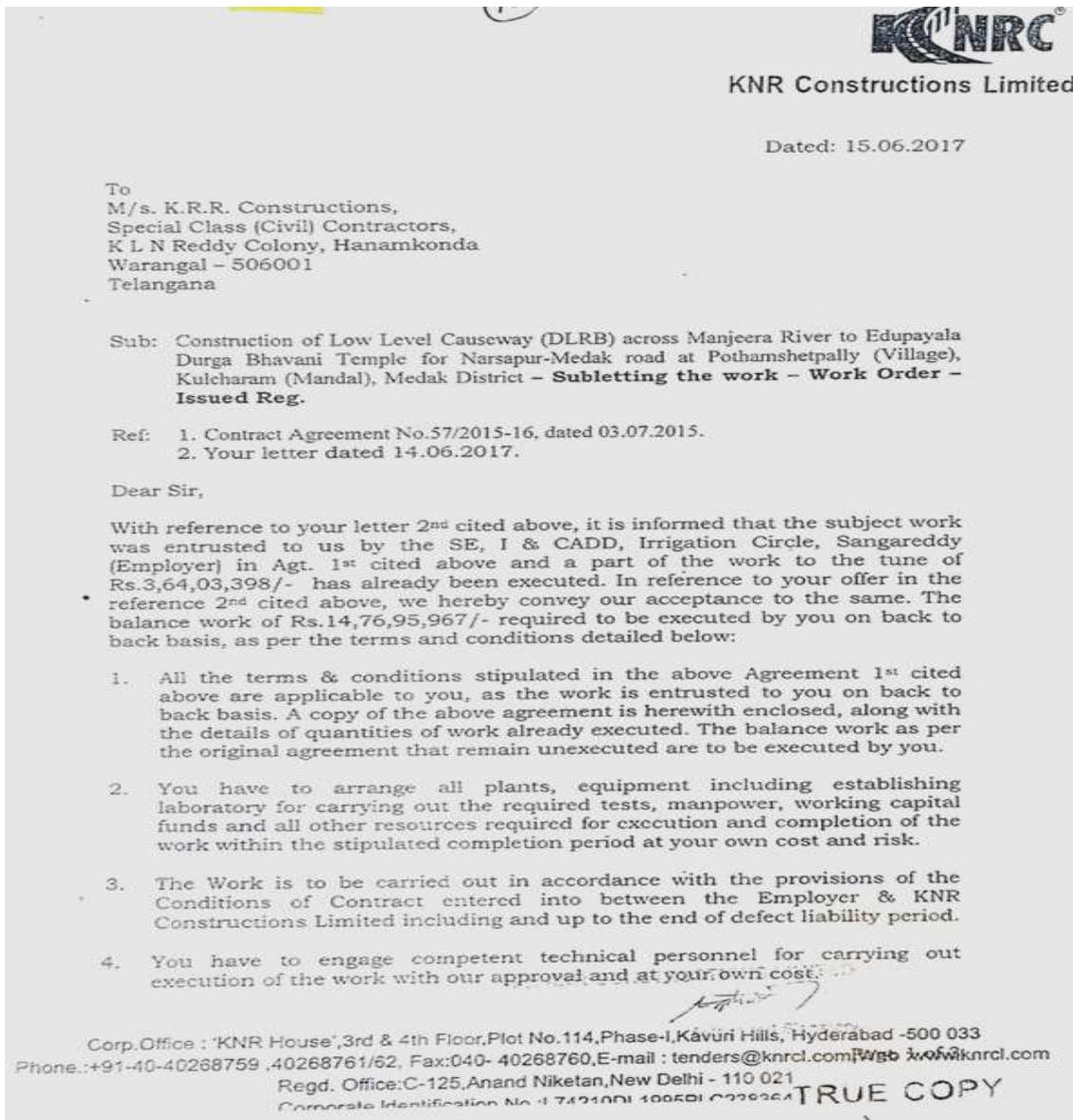
With reference to your letter 2nd cited above, it is informed that the subject work was entrusted to us by the SE, I & CADD, Irrigation Circle, Sangareddy (Employer) in Agt. 1st cited above and a part of the work to the tune of Rs. 9,82,71,362/- has already been executed. In reference to your offer in the reference 2nd cited above, we hereby convey our acceptance to the same. The balance works required to be executed by you on back to back basis, as per the terms and conditions detailed below:

1. All the terms & conditions stipulated in the above Agreement 1st cited above are applicable to you, as the work is entrusted to you on back to back basis. A copy of the above agreement is herewith enclosed, along with the details of quantities of work already executed. The balance work as per the original agreement that remain unexecuted are to be executed by you.
2. You have to arrange all plants, equipment including establishing laboratory for carrying out the required tests, manpower, working capital funds and all other resources required for execution and completion of the work within the stipulated completion period at your own cost and risk.
3. The Work is to be carried out in accordance with the provisions of the Conditions of Contract entered into between the Employer & KNR Constructions Limited including and up to the end of defect liability period.
4. You have to engage competent technical personnel for carrying out execution of the work with our approval and at your own cost.

For KNR CONSTRUCTIONS LIMITED

Corp. Office : 'KNR House', 3rd & 4th Floor, Plot No. 114, Phase-I, Kavuri Hills, Hyderabad - 500 033.
Phone : +91-40-40268759, 40268761/62, Fax : +91-40-40268760, E-mail : info@knrcl.com, www.knrcl.com
Regd. Office : C-125, Anand Niketan, New Delhi - 110 021.
Corporate Identification No. : L74210DL1995PLC238364

10. On perusal of above, we find merit in the submission of the Ld. AR that the project was subcontracted by the assessee to the said parties on a back-to-back basis. Similarly, in respect of the Medak DLRB-Low Level Project, the assessee has filed copies of sub-letting work orders issued to K.R.R. Constructions and Yuvashakthi Enterprises, placed at page nos. 42 to 47 of the paper book. The copy of first page of both the work orders are reproduced as under:





KNR Constructions Limited

Dated: 26.07.2015

To
M/s. Yuvashakthi Enterprises,
#2-7-748, Central Excise Colony,
Hanamkonda, Warangal – 506 001

Kind. Attn.: Sri J. Raji Reddy, Managing Partner

Sub: Construction of Low Level Causeway (DLRB) across Manjeera River to Edupayala Durga Bhavani Temple for Narsapur-Medak road at Pothamshetpally (Village), Kulcharam (Mandal), Medak District – **Subletting the work – Work Order – Issued Reg.**

Ref: 1. Contract Agreement No.57/2015-16, dated 03.07.2015.
2. Your letter dated 26.07.2015

Dear Sir,

With reference to your letter 2nd cited above, it is informed that the subject work entrusted to us by the SE, I & CADD, Irrigation Circle, Sangareddy (Employer) in Agt. 1st cited above for an amount of Rs.18,40,99,365/- is let out to you on sub-contract basis. The work is to be executed by you on back to back basis & as per the terms and conditions detailed below:

1. All the terms & conditions stipulated in the above Agreement 1st cited above are applicable to you, as the work is entrusted to you on back to back basis. A copy of the above agreement is herewith enclosed, along with the details of quantities of work already executed. The balance work as per the original agreement that remain unexecuted are to be executed by you.
2. You have to arrange all plants, equipment including establishing laboratory for carrying out the required tests, manpower, working capital funds and all other resources required for execution and completion of the work within the stipulated completion period at your own cost and risk.
3. The Work is to be carried out in accordance with the provisions of the Conditions of Contract entered into between the Employer & KNR Constructions Limited including and up to the end of defect liability period.
4. You have to engage competent technical personnel for carrying out execution of the work with our approval and at your own cost.

For KNR CONSTRUCTIONS LIMITED

Authorized Signatory

Corp. Office : 'KNR House', 3rd & 4th Floor, Plot No.114, Phase-I, Kavuri Hills, Hyderabad -500 033
Phone.: +91-40-40268759, 40268761/62, Fax: 040- 40268760, E-mail : tenders@knrcl.com, www.knrcl.com
Regd. Office: C-125, Anand Niketan, New Delhi - 110 021
Corporate Identification No. : 174210DN 1005PI 0238364

11. On perusal of the above, we again find that the arrangements were executed on a back-to-back subcontract basis. Now coming to the Yedula Project, though the Ld. AR contended that this project was not subcontracted on a back-to-back basis, the assessee has filed a copy of the agreement executed with AE for Yedula project (page nos. 17 to 24 of the paper book). The copy of relevant portion of the said agreement placed at page nos.17 and 18 of the paper book are reproduced as under:



తెలంగాణ తెలంగాణ TELANGANA
S.No. 2086 Date: 18/06/2016
Sold to : P. Suresh
S/o : P. Y. Goud R/o Hyd.
For Whom : M/s. KNR Constructions Ltd., Hyd.

E 456234
V. SRIKANTH
LICENCED STAMP VENDOR
LIC. No. 15-10-018/2000, REN No. 15-10-028/2015
P.No: 49, Sy. No. 10, Beside Swathi School,
Madhapur, Serilingampally, R.R. Dist.
Phone: 9493014949

SUB-CONTRACT AGREEMENT

This Sub-Contract Agreement is made and entered into on this 20th day of June, 2016 at Hyderabad by and between

M/s. SEW INFRASTRUCTURE LIMITED, a Company Registered under Companies Act, 1956 and having its registered office at 6-3-871, 'SNEHALATA' Greenlands Road, Begumpet, Hyderabad -500016, (hereinafter referred to as the "First Party") represented by its Director, Sri V Rajkumar (Which expression shall, unless repugnant to its meaning thereof, mean and include its administrators, assignees and successors) of the One Part.

AND

M/s. KNR CONSTRUCTIONS LIMITED, a Company Registered under Companies Act, 1956 and having its registered office at KNR House, 3rd & 4th Floor, Plot No.114, Phase-1, Kavuri Hills, Hyderabad-500 033, Telangana, India (hereinafter referred to as the "Second Party") represented by its Managing Director Sri. K Narasimha Reddy (Which expression shall, unless repugnant to its meaning thereof, mean and include its administrators, assignees and successors) of the Other Part.

WHEREAS the First party and the Second party along with Mr. G. VENKATESHWAR REDDY, Special Class Contractor, Vikas Nagar, NGO Colony Road, Hanamkonda, Warangal District, Telangana, India (Hereinafter referred to as GVR) have formed a Joint Venture by name M/s. KNR-SEW-GVR Joint Venture (hereinafter referred to as the For KNR CONSTRUCTIONS LTD.

K. Narasimha Reddy
Managing Director

For SEW Infrastructure Limited
S. V. Rajkumar
Director

(18)

“Joint Venture”) vide Joint Venture Agreement dated 19th February, 2016 with participation share of KNR: 51.%, SEW: 29%, and GVR: 20% respectively and participated in the bid for the work of “PRLIS-(Package No.6)-Formation of Veeranjaneya Reservoir at Yedula (V), Gopalpet (M), Mahabubnagar District and Earth work Excavation of approach channel, open canal including CM & CD works, intake structure from Km. 0.00 to Km. 6.40 between Veeranjaneya Reservoir at Yedula (V) to Venkatadri Reservoir at Vатtem (V), Palamuru-Rangareddy Lift

Irrigation Scheme” (hereinafter referred to as the “Work/Project”). The Joint venture has been awarded the Work by the Superintending Engineer, PRLIS Circle No. 01, Irrigation & CAD Department, Government of Telangana. (hereinafter referred to as the “Employer”)Vide their Letter of Acceptance No. SE/PRLIS/Ngkl/DEE/Pack6/34 M Dated 07-04-2016 and the detailed Agreement No. 04/PRLIS/2016-17dated 23rd May, 2016for a value of Rs.600,55,06,403.68/- (Rupees Six hundred crores fifty five lakhs six thousand four hundred three and sixty eight paisa Only).

WHEREAS the Second Party has approached the First Party and offered to execute the First party’s share of work in the Joint Venture work(i.e.Rs 174,15,96,857/-) for a value of Rs 165,45,17,014/- (Rupees One Hundred Sixty Five Crores Forty Five Laacs Seventeen Thousand and Fourteen Only)i.e.first party’s share of contract price less 5% (Five percent) which includes income tax TDS on the gross value of the work done on First Party’s share. The First party shall be entitled for margin of 5%which includes income tax TDSon all additional works, claims, arbitration award etc., on its portion of work) under Sub-Contract (on back to back basis) as per the terms and conditions laid down in the Tender documents, Letter of Acceptance and the detailed agreement entered into by the Joint Venture with the Employer and the same was accepted by the First Party.

12. On perusal of above, we find that the title of the agreement clearly described the agreement as a “Sub-Contractor Agreement.” Further, from para no. 3 on page no. 18 of the paper book, it is evident that the work was allotted to the AE on a back-to-back basis. Thus, the factual position confirms that even the Yedula Project was also a back-to-back subcontract arrangement. Hence, the contention of the Ld.AR that the Yedula Project has been undertaken by the assessee, is factually incorrect. Accordingly, we reject the contention of the assessee.

13. From the above analysis, it emerges that (a) all projects were obtained by the assessee from Government authorities; (b) all projects pertain to irrigation works and (c) all projects—whether executed through non-AEs or the AE were subcontracted on a back-to-back basis. Therefore, we find no infirmity in the

approach of the Ld. AO / Ld. TPO in benchmarking the irrigation project executed through the AE on the basis of PLI of the irrigation projects executed through non-AEs. In the present case, the works are identical in nature, terms, scope, risk allocation and contractual structure. Therefore, we find that the comparison drawn by the Ld.AO/TPO is proper and deserves acceptance. Hence, we reject the contention of the Ld. AR that the irrigation projects executed through non-AE are not comparable with the Yedula project. Accordingly, we uphold the addition made by the Ld. AO/TPO on account of Transfer Pricing Adjustments of the Yedula Project.

14. As we have already adjudicated the issue in favour of the Revenue, we do not propose to examine or adjudicate upon the further objection raised by the Revenue that the assessee, in its own transfer pricing study, had itself adopted the very same comparables.

15. In the result, appeal filed by the assessee is dismissed.

Order pronounced in the Open Court on 19th November, 2025.

Sd/- (RAVISH SOOD) JUDICIAL MEMBER	Sd/- (MADHUSUDAN SAWDIA) ACCOUNTANT MEMBER
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Hyderabad, dated 19th November, 2025

Vinodan/sps

Copy to:

S.No	Addresses
1	KNR Constructions Ltd, KNR House, Plot Nos 113 & 114, Phase-I Kavuri Hills, Hyderabad 500033
2	ACIT Central Circle 2(2) Hyderabad
3	Pr. CIT – Central, Hyderabad
4	DR, ITAT Hyderabad Benches
5	Guard File

By Order